

Message Text

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PAGE 01 RIO DE 01396 091558Z

14

ACTION ARA-10

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TO USDOC WASHDC
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UNCLAS RIO DE JANEIRO 1396

EO 11652: NA
TAGS: BEXP BR
SUBJ: FOREIGN BUYER PROGRAM: COAL SUPPLY CONTRACTS

REF: USDOC 05750

1. BRAZILIAN GROUP (CVRD, CSN, GRUPO PEIXOTO DE CASTRO) DOESN'T HAVE OFFICIAL GOB SANCTION. NONETHELESS 2 OF THE FIRMS, COMPANHIA VALE DO RIO DOCE (CVRD) AND COMPANHIA SIDERURGICA NACIONAL (CSN), ARE VERY LARGE GOVERNMENT OWNED FIRMS AND THE THIRD, GRUPO PEIXOTO DE CASTRO (GPC), IS ONE OF THE LARGEST PRIVATELY OWNED FIRMS IN BRAZIL. ALL THREE HAVE WTDRS WHICH SOULD BE CONSULTED BY ANYONE WISHING DETAILED INFORMATION.

2. THE POTENTIAL SCOPE OF THIS DEAL SHOULD NOT BE UNDERESTIMATED. CVRD PLANS TO INVEST EQUITY CAPITAL IN COAL MINES TO PROVIDE BRAZIL WITH AN ASSURED SUPPLY OF COAL. THE BIRMINGHAM AREA SHOULD BE CONSIDERED A LIKELY LOCAL FOR THIS INVESTMENT. CVRD CAN ALSO FURNISH US PURCHASERS WITH HIGH GRADE IRON ORE ON RELIABLE CONTRACTS. IN ADDITION, BRAZIL MAY BE WILLING TO BARTER PIG IRON IN EXCHANGE FOR COAL (THIS HAS BEEN DONE BEFORE BY FIRMS IN THE BIRMINGHAM AREA). FINALLY, SCRAP IRON COULD BE THE LYNCHPIN OF THE ENTIRE DEAL AS IT IS IN SHORT SUPPLY IN BRAZIL. LOCAL SCRAP COLLECTION METHODS ARE PRIMITIVE AND INEFFICIENT AND PROCESSING IS DONE AT A VERY LOW LEVEL OF TECHNOLOGY. THERE IS A GREAT NEED FOR SCRAP METAL AND SCRAP METAL PROCESSING EQUIPMENT AND TECHNOLOGY IN BRAZIL.

UNCLASSIFIED

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PAGE 02 RIO DE 01396 091558Z

3. THE SCRAP METAL SECTOR OF THE BRAZILIAN ECONOMY PRESENTS A

STRATEGIC AREA FOR US INVOLVEMENT. CSN, AND REPORTEDLY, COSIGUA (A LARGE STEEL PRODUCER), ARE INTERESTED IN LONG TERM CONTRACTS INVOLVING THE PURCHASE OF SCRAP, SCRAP PROCESSING MACHINERY, AND SERVICES.

4. THUS, CONGEN RIO BELIEVES THAT DISTRICT OFFICE INVOLVEMENT IS ENTIRELY PROPER, KEEPING IN MIND UNOFFICIAL BUT IMPORTANT STATUS OF PROSPECTIVE BUYERS.

DEXTER

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